

**ADRIAN TOWNSHIP
LENAWEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2005**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ADRIAN	County LENAWEE
Fiscal Year End DECEMBER 31, 2005	Opinion Date JULY 12, 2006	Date Audit Report Submitted to State JULY 21, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES

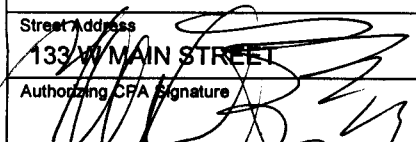
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) PHILIP R RUBLEY CPA		Telephone Number 517-458-2274	
Street Address 133 W MAIN STREET		City MORENCI	State MI
Authorizing CPA Signature 		Zip 49256	
Printed Name PHILIP R RUBLEY		License Number 9223	

**ADRIAN TOWNSHIP
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005**

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ADRIAN TOWNSHIP
Management's Discussion and Analysis
December 31, 2005

Using This Annual Report

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities are both new and provide information about the activities of Adrian Township government-wide basis. They are designed to present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Overview Of The Financial Statements

The Township's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Township maintains 5 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and fire fund, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary Funds. The Township maintains one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township has one enterprise fund to account for sewer and water activity.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

ADRIAN TOWNSHIP
Management's Discussion and Analysis
December 31, 2005

Notes To The Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, recreation and culture and community development.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories; governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Other Information

The Township has reported under required supplementation information, information about the General Fund and Major Type Funds, and Combining Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Type Governmental Funds.

ADRIAN TOWNSHIP
Management's Discussion and Analysis
December 31, 2005

The Township As A Whole

The Township's net assets for the year ended December 31, 2005 increased by 1.10% over the prior year, and management feels that even though the economic conditions have been slightly depressed, that the Township was fiscally able to grow at a rate above inflation. Extensive growth in the Township has a direct relationship to this growth.

The governmental activities reflect net assets of \$2,120,296.

By far the largest portion of the Township's net assets (45.31%) reflects its investment in capital assets (e.g. land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire these assets that are still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

ADRIAN TOWNSHIP
Management's Discussion and Analysis
December 31, 2005

ADRIAN TOWNSHIP NET ASSETS

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
	<u>2005</u>	<u>2005</u>
<u>Revenue</u>		
Program Revenue:		
Charges for Services	\$ 288,402	\$ 574,038
Operating Grants and Contributions	11,574	---
Capital Grants and Contributions	54,035	---
General Revenue:		
Property Taxes and Assessments	417,891	41,185
Grants and Contributions Not Restricted To Specific Program	392,572	---
Interest and Rentals Earnings	<u>18,621</u>	<u>72,632</u>
Total Revenue	<u>1,183,095</u>	<u>687,855</u>
<u>Expenses</u>		
General Government	265,441	---
Public Safety	438,782	---
Public Works	209,512	545,830
Community and Economic Development	4,980	---
Recreation and Culture	30	---
Other Functions	<u>53,900</u>	<u>---</u>
Total Expenses	<u>972,645</u>	<u>545,830</u>
Increase In Net Assets	210,450	142,025
Net Assets Beginning of Year	<u>1,909,846</u>	<u>9,327,965</u>
Net Assets End of Year	<u>\$2,120,296</u>	<u>\$9,469,990</u>

ADRIAN TOWNSHIP
Management's Discussion and Analysis
December 31, 2005

ADRIAN TOWNSHIP NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
	<u>2005</u>	<u>2005</u>
Current and Other Assets	\$1,195,478	\$3,006,438
Capital Assets	<u>990,681</u>	<u>6,463,645</u>
Total Assets	<u>\$2,186,159</u>	<u>\$9,470,083</u>
 Other Liabilities	 <u>\$ 65,863</u>	 <u>\$ 93</u>
Total Liabilities	<u>65,863</u>	<u>93</u>
 <u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	990,681	6,463,645
Unrestricted	<u>1,129,615</u>	<u>3,006,345</u>
Total Net Assets	<u>\$2,120,296</u>	<u>\$9,469,990</u>

Government Activities

Government activities increased the Township's net assets by \$210,450.

The Township's Funds

Our analysis of the Township's funds begins on Page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Trustee Board and management creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, etc.

ADRIAN TOWNSHIP
Management's Discussion and Analysis
December 31, 2005

General Fund Budgetary Highlights

There were differences between the original budget and amended budget. Actual results in revenue were higher than budgeted, and expenses were significantly higher than budgeted numbers.

Capital Assets And Debt Administration

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2005, amounted to \$7,454,326 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total increase in the Township's investment in capital assets for the current year was 2.10%.

Economic Factors And Next Year's Budget And Rates

The Township's budget for 2006 year has taken inconsideration, the economic condition of the State of Michigan anticipating reduced state share revenues. This will require close tabs on expenditures for the upcoming year and adjustments will be made to mirror, when possible, the revenue base, with expenses.

Contacting The Townships Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 2907 Tipton Hwy., Adrian, Michigan 49221

PHILIP R. RUBLEY

- Certified Public Accountant -

133 W. MAIN STREET • MORENCI, MI 49256

PHONE 517/458-2274

FAX 517/458-6353

PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'s
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

July 12, 2006

Township Board
Adrian Township
Lenawee County
2907 Tipton Hwy.
Adrian, MI 49221

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Adrian Township as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Adrian Township management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Adrian Township as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

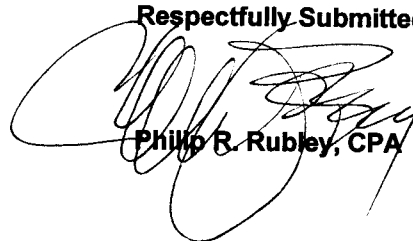
The management's discussion and analysis and budgetary comparison information on pages 1 through 6, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Adrian Township basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Adrian Township
July 12, 2006

The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Philip R. Rubley", is written over the printed name.

Philip R. Rubley, CPA

PRR/cab

ADRIAN TOWNSHIP
Government-wide Statement of Net Assets
December 31, 2005

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and Equivalents	\$ 728,417	\$2,561,099	\$ 3,289,516
Receivables - Net	249,680	485,841	735,521
Prepaid Items and Other Assets	154,125	22,754	176,879
Internal Balances	63,256	(63,256)	---
Capital Assets Not Being Depreciated	36,593	96,099	132,692
Capital Assets Being Depreciated - Net	<u>954,088</u>	<u>6,367,546</u>	<u>7,321,634</u>
Total Assets	<u>\$2,186,159</u>	<u>\$9,470,083</u>	<u>\$11,656,242</u>
<u>Liabilities</u>			
Accounts Payable and Accrued Expenses	<u>\$ 65,863</u>	<u>\$ 93</u>	<u>\$ 65,956</u>
Total Liabilities	<u>65,863</u>	<u>93</u>	<u>65,956</u>
<u>Net Assets</u>			
Invested In Capital Assets, Net of Related Debt	990,681	6,463,645	7,454,326
Unrestricted	<u>1,129,615</u>	<u>3,006,345</u>	<u>4,135,960</u>
Total Net Assets	<u>\$2,120,296</u>	<u>\$9,469,990</u>	<u>\$11,590,286</u>

The notes to financial statements are an integral part of this statement.

ADRIAN TOWNSHIP
Government-wide Statement of Activities
For The Year Ended December 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Net (Expenses) Revenues</u>
<u>Governmental Activities:</u>					
General Government	\$ 265,441	\$156,440	\$11,574	\$ ---	\$ (109,001)
Public Safety	438,782	131,962	---	54,035	(241,211)
Public Works	209,512	---	---	---	(209,512)
Community and Economic Development	4,980	---	---	---	(4,980)
Recreation and Culture	30	---	---	---	(30)
Other Functions	53,900	---	---	---	(53,900)
Total Governmental Activities	972,645	288,402	11,574	54,035	(618,634)
<u>Business-Type Activities:</u>					
Utilities	545,830	574,038	---	---	28,208
Total	\$1,518,475	\$862,440	\$11,574	\$54,035	\$ (590,426)

ADRIAN TOWNSHIP
Government-wide Statement Of Activities (Concluded)
For The Year Ended December 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Changes In Net Assets</u>			
Net (Expense) Revenue	\$ (618,634)	\$ 28,208	\$ (590,426)
General Revenues:			
Property Taxes and Assessments	417,891	41,185	459,076
Grants and Contributions			
Not Restricted To			
Specific Programs	392,572	---	392,572
Unrestricted Investment			
Earnings and Rentals	<u>18,621</u>	<u>72,632</u>	<u>91,253</u>
Total General Revenues, Contributions and Transfers	<u>829,084</u>	<u>113,817</u>	<u>942,901</u>
Change In Net Assets	210,450	142,025	352,475
Net Assets, Beginning of Year	<u>1,909,846</u>	<u>9,327,965</u>	<u>11,237,811</u>
Net Assets, End of Year	<u>\$2,120,296</u>	<u>\$9,469,990</u>	<u>\$11,590,286</u>

ADRIAN TOWNSHIP
Governmental Funds
Balance Sheet
December 31, 2005

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Police Fund</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and Cash					
Equivalents	\$609,352	\$ 63,381	\$ 32,577	\$23,107	\$ 728,417
Prepaid Expenses	9,249	6,415	880	---	16,544
Receivables - Net	152,913	44,841	46,472	5,454	249,680
Due From Other Funds	<u>189,879</u>	<u>35,303</u>	<u>34,173</u>	<u>3,655</u>	<u>263,010</u>
Total Assets	<u>\$961,393</u>	<u>\$149,940</u>	<u>\$114,102</u>	<u>\$32,216</u>	<u>\$1,257,651</u>
<u>LIABILITIES</u>					
Accounts Payable/					
Accrued Liabilities	\$ 62,398	\$ 1,522	\$ 841	\$ 1,102	\$ 65,863
Due to Other Funds	---	28,069	30,222	3,882	62,173
Deferred Revenue	<u>1,890</u>	<u>613</u>	<u>576</u>	<u>---</u>	<u>3,079</u>
Total Liabilities	<u>64,288</u>	<u>30,204</u>	<u>31,639</u>	<u>4,984</u>	<u>131,115</u>
<u>FUND BALANCES</u>					
Unreserved	<u>897,105</u>	<u>119,736</u>	<u>82,463</u>	<u>27,232</u>	<u>1,126,536</u>
Total Fund Balances	<u>897,105</u>	<u>119,736</u>	<u>82,463</u>	<u>27,232</u>	<u>1,126,536</u>
Total Liabilities and Fund Balances	<u>\$961,393</u>	<u>\$149,940</u>	<u>\$114,102</u>	<u>\$32,216</u>	<u>\$1,257,651</u>

ADRIAN TOWNSHIP
Reconciliation of Fund Balances On The Balance Sheet For Governmental Funds
To Net Assets Of Governmental Activities On The Statement of Net Assets
December 31, 2005

Fund Balances – Total Governmental Funds \$1,126,536

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in
the funds.

Add: Capital Assets 1,410,521

Deduct: Accumulated Depreciation (419,840)

Revenue that has been billed as a receivable, but not
Collected until later years, was not reported in the funds.

Add: Deferred Revenue 3,079

Net Assets of Governmental Activities \$2,120,296

ADRIAN TOWNSHIP
Governmental Funds
Statement of Revenue, Expenditures, and Changes In Fund Balances
For The Year Ended December 31, 2005

	General Fund	Fire Fund	Police Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<u>REVENUES</u>					
Taxes and Assessments	\$ 206,059	\$ 96,650	\$100,998	\$11,105	\$ 414,812
Intergovernmental	392,572	---	---	---	392,572
Grants	---	48,600	5,435	---	54,035
Fines and Forfeitures	---	---	19,427	---	19,427
Licenses and Permits	59,337	---	---	---	59,337
Charges for Services	33,447	40,393	3,059	---	76,899
Interest and Rentals	15,723	1,571	740	587	18,621
Other	124,615	2,826	6,920	11,574	145,935
Total Revenue	831,753	190,040	136,579	23,266	1,181,638
<u>EXPENDITURES</u>					
Current:					
General Government	251,290	---	---	8,713	260,003
Public Safety	49,810	159,065	140,005	11,466	360,346
Public Works	196,238	---	---	13,274	209,512
Community Economic Development	4,980	---	---	---	4,980
Capital Outlay	3,208	124,194	17,352	1,600	146,354
Other Functions	53,900	---	---	---	53,900
Total Expenditures	559,426	283,259	157,357	35,053	1,035,095
Excess of Revenue Over (Under) Expenditures	272,327	(93,219)	(20,778)	(11,787)	146,543
Other Financing Sources (Uses)					
Transfers In	---	93,354	20,194	4,000	117,548
Transfers (Out)	(117,548)	---	---	---	(117,548)
Total Other Financing Sources (Uses)	(117,548)	93,354	20,194	4,000	---
Net Change In Fund Balances	154,779	135	(584)	(7,787)	146,543
Fund Balances -- Beginning of Year	742,326	119,601	83,047	35,019	979,993
Fund Balances -- End of Year	\$ 897,105	\$119,736	\$ 82,463	\$27,232	\$1,126,536

The notes to financial statements are an integral part of this statement.

ADRIAN TOWNSHIP
Reconciliation Of The Statement Of Revenues, Expenditures,
And Changes In Fund Balances Of Governmental Statement Of Activities
December 31, 2005

Net Change In Fund Balances – Total Governmental Funds \$146,543

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense.

Add: Capital Outlay 139,629

Deduct: Depreciation Expense (77,179)

Revenue deferred on the governmental funds report, which has
been charged to receivable and thus income on the statement
of activities.

Add: Deferred Revenue other adjustments 1,457

Change In Net Assets Of Governmental Activities \$210,450

ADRIAN TOWNSHIP
Statement of Net Assets
Proprietary Funds
December 31, 2005

Business-Type Activities -
Enterprise Funds

Utilities Fund

Assets

Current Assets:

Cash and Cash Equivalents
Accounts Receivable
Due from Other Funds

\$2,561,099
93,737
22,754

Total Current Assets

2,677,590

Restricted Assets:

Special Assessment

392,104

Total Restricted Assets

392,104

Noncurrent Assets:

Property and Equipment - Net

6,463,645

Total Noncurrent Assets

6,463,645

Total Assets

\$9,533,339

Liabilities

Current Liabilities:

Accounts Payable and Accrued Liabilities
Due to Other Funds

\$ 93
63,256

Total Current Liabilities

63,349

Net Assets

Invested in Capital Assets
Unrestricted

6,463,645
3,006,345

Total Net Assets

9,469,990

**Net Assets of Business-Type Activities on the
Government-Wide Statement of Net Assets**

\$9,469,990

ADRIAN TOWNSHIP
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For The Year Ended December 31, 2005

	Business-Type Activities - Enterprise Funds
	<u>Utilities Fund</u>
Operating Revenues	
Charges for Services	\$ 574,038
Special Assessments	<u>41,185</u>
Total Operating Revenues	<u>615,223</u>
Operating Expenses	
Salaries and Wages	5,191
Fringe Benefits	397
Supplies	2,592
Services	233,030
Professional Services	2,530
Repairs and Maintenance	55,780
Depreciation	<u>246,310</u>
Total Operating Expenses	<u>545,830</u>
Net Operating Income	<u>69,393</u>
Non-Operating Revenues (Expenses)	
Investment Income	<u>72,632</u>
Total Non-Operating Revenues (Expenses)	<u>72,632</u>
Income	142,025
Net Assets, Beginning of Year	<u>9,327,965</u>
Net Assets, End of Year	<u>\$9,469,990</u>

ADRIAN TOWNSHIP
Reconciliation Of The Statement Of Revenues, Expenditures, To The Statement Of Activities
December 31, 2005

Change In Net Assets – All Enterprise Funds	\$142,025
No additional adjustments	<u>---</u>
Change In Net Assets Of Business-Type Activities	<u>\$142,025</u>

ADRIAN TOWNSHIP
Statement of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2005

	Business-Type Activities <u>Enterprise Funds</u>
	<u>Utilities Fund</u>
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 550,844
Cash Payment to Suppliers For Goods and Services/Employees	<u>(325,780)</u>
Net Cash Provided (Used)	<u>225,064</u>
 Cash Flows From Capital and Related Financing Activities	
Special Assessment Receivable	<u>33,005</u>
Net Cash (Used) by Capital and Related Financing Activities)	<u>33,005</u>
 Cash Flows From Investing Activities	
Investment Income	72,632
Purchase of Fixed Assets	<u>(147,293)</u>
Net Cash Provided (Used) by Investing Activities	<u>(74,661)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	183,408
 Cash and Cash Equivalents, Beginning of Year	<u>2,377,691</u>
 Cash and Cash Equivalents, End of Year	<u><u>\$2,561,099</u></u>
 Reconciliation to Statement of Net Assets	
Cash and Cash Equivalents	<u><u>\$2,561,099</u></u>

The accompanying notes are an integral part of this financial statement.

ADRIAN TOWNSHIP
Statement of Cash Flows (Concluded)
Proprietary Funds
For The Year Ended December 31, 2005

	Business-Type Activities - Enterprise Funds
	<u>Utilities Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating Income	\$ 142,025
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	246,310
Changes in Assets and Liabilities:	
Accounts Receivable	(40,405)
Other Current Assets	1,631
Accounts Payable, Accrued Liabilities, Bonds Current Portion	<u>(26,260)</u>
Net Cash Provided (Used) by Operating Activities	<u>323,301</u>
Cash Flows From Investing Activities:	
Purchase of Fixed Assets	<u>(147,293)</u>
Net Cash (Used) from Investing Activities	<u>(147,293)</u>
Cash Flows From Financing Activities:	
Special Assessment Receivable	<u>7,400</u>
Net Cash (Used) from Financing Activities	<u>7,400</u>
Net Increase (Decrease) in Cash and Cash Equivalents	183,408
Cash and Cash Equivalents, Beginning of Year	<u>2,377,691</u>
Cash and Cash Equivalents, End of Year	<u>\$2,561,099</u>

The accompanying notes are an integral part of this financial statement.

ADRIAN TOWNSHIP
Fiduciary Funds – Statement of Net Assets
December 31, 2005

	Current Tax Collection Fund	Trust and Agency Fund
<u>Assets</u>		
Cash and Cash Equivalents	<u>\$932,366</u>	<u>\$1,557</u>
Total Assets	<u><u>\$932,366</u></u>	<u><u>\$1,557</u></u>
<u>Liabilities</u>		
Due to Other Funds	\$158,778	\$1,557
Other Payables	<u>773,588</u>	<u>---</u>
Total Liabilities	<u><u>\$932,366</u></u>	<u><u>\$1,557</u></u>

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Adrian Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Reporting Entity

Adrian Township is governed by an elected board. The accompanying financial statements present the government for which government is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2005

Property taxes, franchise taxes, intergovernmental revenue licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is a special revenue fund that receives monies for contractual services and charges for the purpose of providing fire protection and Advanced and Basic Life Support Services to the community.

The Police Fund is a special revenue fund that receives monies through property tax millage and charges for services for the purpose of providing police protection to the community.

The government reports the following major proprietary fund:

The Utilities Fund is a proprietary fund which accounts for activities of the government's waste water and water system.

Additionally, the government reports the following fund types:

The Agency Funds account for assets held by the Township acting as an agent for individuals, private organizations, other governments and/or other funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-side and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities and enterprise funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utilities fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2005

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, Liabilities, and Net Assets or Equity

1. **Bank Deposits and Investment** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. **Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

3. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

4. **Inventories** – All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. **Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2005

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20 - 50
Building	10 - 50
Machinery, Equipment, And Furnishings	5 - 35
Utility Systems	50 - 100
Infrastructure	15 - 100
Vehicles	5 - 15

6. **Long-Term Obligations** - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Presently the Township has no long-term obligations.
7. **Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. **Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of December of each year, the Township Board proposes a budget for review and holds public hearings and a final budget is adopted.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is with the Board of Trustees.

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2005

B. Excess of Expenditures Over Appropriations In Budgeted Funds - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended December 31, 2005, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Trustee Board	\$ 79,281	\$ 94,592	\$ 15,311
Supervisor	23,395	23,931	536
Treasurer	31,997	33,249	1,252
Clerk	28,781	33,072	4,291
Cemetery	2,816	2,947	131
Public Works:			
Sanitation	16,400	17,759	1,359
Drains	11,000	16,293	5,293
Roads and Maintenance	106,928	162,186	55,258
Capital Outlay:	---	3,208	3,208
Other Functions:			
Insurance	36,485	40,092	3,607
Other	---	13,808	13,808
Transfer Out	---	117,548	117,548
Fire Fund:			
Utilities	3,500	4,466	966
Capital Outlay	115,000	124,194	9,194
Police Fund:			
Fringe Benefits	12,800	12,804	4
Insurance	8,375	8,519	144
Physicians/Training	705	899	194
Capital Outlay	16,583	17,352	769

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2005

NOTE 3 – DEPOSITS AND INVESTMENTS

The government unit's deposits and investment policy are in accordance with statutory authority.

Investments made by the Township are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1:** Insured or registered, or securities held by the Township or its agent in the Township's name.
- Category 2:** Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
- Category 3:** Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

	<u>Category 1</u>	<u>2</u>	<u>3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Checking, Savings and Certificate of Deposits	\$400,000	\$2,889,516	\$ ---	\$3,289,516	\$3,289,516
	<u>\$400,000</u>	<u>\$2,889,516</u>	<u>\$ ---</u>	<u>\$3,289,516</u>	<u>\$3,289,516</u>

Balance Sheet Cash And Cash Investments

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Township's deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC) (FSLIC)	\$ 400,000
Uninsured:	
Uncollateralized	<u>2,889,516</u>
Total	<u>\$3,289,516</u>

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

Statement of Net Asset:

Cash and Cash Equivalents	<u>\$3,289,516</u>
	<u>3,289,516</u>

Statement of Fiduciary Net Asset:

Agency Funds:	
Cash and Cash Equivalents	<u>933,923</u>
	<u>933,923</u>
	<u>\$4,223,439</u>

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2005

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Decreases</u>	<u>Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 36,593	\$ ---	\$ ---	\$ 36,593
Total Capital Assets Not Being Depreciated	<u>36,593</u>	<u>---</u>	<u>---</u>	<u>36,593</u>
Capital Assets, Being Depreciated:				
Buildings	297,217	---	---	297,217
Vehicles	836,100	16,440	---	852,540
Equipment	100,982	123,189	---	224,171
Total Capital Assets Being Depreciated	<u>1,234,299</u>	<u>139,629</u>	<u>---</u>	<u>1,373,928</u>
Less Accumulated Depreciation For:				
Buildings	(54,618)	(8,316)	---	(62,934)
Vehicles	(282,985)	(55,420)	---	(338,405)
Equipment	(5,058)	(13,443)	---	(18,501)
Total Accumulated Depreciation	<u>(342,661)</u>	<u>(77,179)</u>	<u>---</u>	<u>(419,840)</u>
Total Capital Assets, Being Depreciated, Net	<u>891,638</u>	<u>62,450</u>	<u>---</u>	<u>954,088</u>
Governmental Activities Capital Assets, Net	<u>\$ 928,231</u>	<u>\$ 62,450</u>	<u>\$ ---</u>	<u>\$ 990,681</u>
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ ---	\$ 96,099	\$ ---	\$ 96,099
Total Capital Assets Not Being Depreciated	<u>---</u>	<u>96,099</u>	<u>---</u>	<u>69,099</u>
Capital Assets, Being Depreciated:				
Sewer and Water System	12,401,171	51,194	---	12,452,365
Total Capital Assets Being Depreciated	<u>12,401,171</u>	<u>51,194</u>	<u>---</u>	<u>12,452,365</u>
Less Accumulated Depreciation For:				
Sewer and Water System	(5,838,509)	(246,310)	---	(6,084,819)
Total Accumulated Depreciation	<u>(5,838,509)</u>	<u>(246,310)</u>	<u>---</u>	<u>(6,084,819)</u>
Total Capital Assets, Being Depreciated, Net	<u>6,562,662</u>	<u>(99,017)</u>	<u>---</u>	<u>6,463,645</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,562,662</u>	<u>\$ (99,017)</u>	<u>\$ ---</u>	<u>\$ 6,463,645</u>

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2005

Depreciation expense was charged to functions/programs of the Township as follows:

Governmental Activities:

General Government	\$ 2,230
Public Safety	74,919
Parks and Recreation	<u>30</u>

Total Depreciation Expense Governmental Activities	<u>\$ 77,179</u>
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Business-Type Activities:

Utilities	<u>\$246,310</u>
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Total Depreciation Expense Business-Type Activities	<u>\$246,310</u>
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NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

At December 31, 2005, the following were interfund receivables and payables in the fund statement.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$189,879	\$ ---
Fire	35,303	28,069
Police	34,173	30,222
Street Lights	3,655	3,882
Utilities	22,754	63,256
Agency Funds	<u>---</u>	<u>160,335</u>
Total	<u>\$285,764</u>	<u>\$285,764</u>

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2005

NOTE 6 – TRANSFERS BETWEEN FUNDS

At December 31, 2005, the following transfers were made between funds:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ ---	\$117,548
Police	20,194	---
Fire	93,354	---
Cemetery	<u>4,000</u>	<u>---</u>
Total	<u>\$117,548</u>	<u>\$117,548</u>

NOTE 7 – PROPERTY TAXES

The Township bills and collects property taxes and also taxes for the County and several School Districts within its jurisdiction. Collections and remittances of the County and School taxes are accounted for in the Current Tax Collection Agency Fund. Township property tax revenues are recognized as revenues in the fiscal year levied to the extent that they result in current receivables.

The Township currently levies 1.765 mills. Property taxes attach as an enforceable lien on the property as of January 1.

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2005

NOTE 8 – OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2005, the government carried insurance through various commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

ADRIAN TOWNSHIP
Budgetary Comparison Schedule
General Fund
For The Year Ended December 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>				
Resources (Inflows)	\$ 742,326	\$ 742,326	\$ 742,326	\$ ---
Taxes and Assessments	192,153	201,500	206,059	4,559
Intergovernmental	400,000	360,300	392,572	32,272
Licenses and Permits	88,700	84,900	59,337	(25,563)
Charges for Services	28,700	24,500	33,447	8,947
Interest and Rentals	14,000	3,750	15,723	11,973
Other	93,200	149,100	124,615	(24,485)
Amounts Available for Appropriation	<u>1,559,079</u>	<u>1,566,376</u>	<u>1,574,079</u>	<u>7,703</u>
<u>Charges to Appropriations (Outflows)</u>				
General Government				
Trustee Board	73,782	79,281	94,592	(15,311)
Township Supervisor	24,842	23,395	23,931	(536)
Treasurer	33,950	31,997	33,249	(1,252)
Assessing	36,300	29,666	28,475	1,191
Clerk	29,775	28,781	33,072	(4,291)
Elections	4,750	853	72	781
Professional Fees	40,200	37,953	27,266	10,687
Cemetery	3,100	2,816	2,947	(131)
Board of Appeals	603	603	441	162
Board of Review	1,984	2,384	1,156	1,228
Township Hall	24,951	7,247	6,089	1,158
Public Safety				
Inspections	84,170	85,671	49,810	35,861
Community Economic Development				
Planning and Zoning	9,264	8,024	4,980	3,044
Public Works				
Road and Maintenance	150,000	106,928	162,186	(55,258)
Sanitation	17,000	16,400	17,759	(1,359)
Drains	27,491	11,000	16,293	(5,293)
Capital Outlay	1,000	---	3,208	(3,208)
Other Functions				
Insurance	34,800	36,485	40,092	(3,607)
Other	---	---	13,808	(13,808)
Transfer Out	<u>---</u>	<u>---</u>	<u>117,548</u>	<u>(117,548)</u>
Total Charges to Appropriations	<u>597,962</u>	<u>509,484</u>	<u>676,974</u>	<u>(167,490)</u>
Ending of Year Fund Balance	<u>\$ 961,117</u>	<u>\$1,056,892</u>	<u>\$ 897,105</u>	<u>\$ (159,787)</u>

ADRIAN TOWNSHIP
Budgetary Comparison Schedule
Fire Fund (Major Special Revenue Funds)
For The Year Ended December 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>	\$119,601	\$119,601	\$119,601	\$ ---
<u>Resources (Inflows)</u>				
Taxes	95,309	88,292	96,650	8,358
Interest/Penalties	1,500	---	1,571	1,571
Contracted Services	40,000	40,000	40,393	393
Grants	---	---	48,600	48,600
Miscellaneous	---	---	2,826	2,826
Transfer In	---	---	93,354	93,354
<u>Amounts Available for Appropriations</u>	<u>256,410</u>	<u>247,893</u>	<u>402,995</u>	<u>155,102</u>
<u>Charges to Appropriations (Outflows)</u>				
<u>Public Safety</u>				
Salaries and Wages	96,820	84,300	74,874	9,426
Fringe Benefits	7,407	6,445	5,886	559
Operating Supplies	26,950	42,885	20,545	22,340
Professional Services	625	625	150	475
Gas and Oil	4,500	3,500	4,466	(966)
Utilities	13,355	12,455	11,320	1,135
Repairs and Maintenance	13,600	14,842	10,012	4,830
Insurance	24,000	23,013	17,723	5,290
Dues and Publications	2,100	2,116	1,679	437
Physicals/Training	16,000	9,318	9,390	(72)
Communication - Radio	6,000	16,000	2,561	13,439
Education	350	350	---	350
Other	500	1,000	459	541
Capital Outlay	66,000	115,000	124,194	(9,194)
<u>Total Charges to Appropriations</u>	<u>278,207</u>	<u>331,849</u>	<u>283,259</u>	<u>48,590</u>
<u>Ending of Year Fund Balance (Deficit)</u>	<u>\$ (21,797)</u>	<u>\$ (83,956)</u>	<u>\$119,736</u>	<u>\$203,692</u>

ADRIAN TOWNSHIP
Budgetary Comparison Schedule
Police Fund (Major Special Revenue Funds)
For The Year Ended December 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>	\$ 83,047	\$ 83,047	\$ 83,047	\$ ---
<u>Resources (Inflows)</u>				
Taxes	100,077	92,708	100,998	8,290
Interest	1,000	---	740	740
Contracted Services	3,135	---	3,059	3,059
Fines & Forfeitures	11,000	---	19,427	19,427
Miscellaneous	---	---	6,920	6,920
Grants	---	---	5,435	5,435
Transfers In	500	---	20,194	20,194
<u>Amounts Available for Appropriation</u>	<u>198,759</u>	<u>175,755</u>	<u>239,820</u>	<u>64,065</u>
<u>Charges to Appropriations (Outflows)</u>				
<u>Public Safety</u>				
Salaries and Wages	86,150	79,580	76,190	3,390
Fringe Benefits	12,834	12,800	12,804	(4)
Operating Supplies	7,200	9,085	4,289	4,796
Professional Services	15,000	27,000	16,125	10,875
Gas and Oil	5,000	4,000	3,478	522
Utilities	8,509	7,475	6,875	600
Repairs and Maintenance	12,200	11,509	9,119	2,390
Insurance - All	11,625	8,375	8,519	(144)
Dues and Publications	2,100	1,200	1,141	59
Physicals/Training	1,500	705	899	(194)
Education	1,000	800	20	780
Other	2,750	3,891	546	3,345
Capital Outlay	5,000	16,583	17,352	(769)
<u>Total Charges to Appropriations</u>	<u>170,868</u>	<u>183,003</u>	<u>157,357</u>	<u>25,646</u>
<u>Ending of Year Fund Balance</u>	<u>\$ 27,891</u>	<u>\$ 7,248</u>	<u>\$ 82,463</u>	<u>\$89,711</u>

ADRIAN TOWNSHIP
Combining Balance Sheet
Non-Major Governmental Funds
December 31, 2005

	Special Revenue Fund	Special Revenue Fund	Special Revenue Fund	Total Non-Major Governmental Funds
	Street Lights Fund	Cemetery Fund	Firefighters' Association	
<u>Assets</u>				
Cash	\$ 6,035	\$11,252	\$5,820	\$23,107
Receivables:				
Taxes	5,454	---	---	5,454
Due from Other Funds	<u>3,655</u>	<u>---</u>	<u>---</u>	<u>3,655</u>
Total Assets	<u>\$15,144</u>	<u>\$11,252</u>	<u>\$5,820</u>	<u>\$32,216</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 1,102	\$ ---	\$ ---	\$ 1,102
Due to Other Funds	<u>3,882</u>	<u>---</u>	<u>---</u>	<u>3,882</u>
Total Liabilities	<u>4,984</u>	<u>---</u>	<u>---</u>	<u>4,984</u>
<u>Fund Balance</u>	<u>10,160</u>	<u>11,252</u>	<u>5,820</u>	<u>27,232</u>
Total Liabilities And Fund Balances	<u>\$15,144</u>	<u>\$11,252</u>	<u>\$5,820</u>	<u>\$32,216</u>

ADRIAN TOWNSHIP
Combining Statement of Revenues, Expenditures and Changes In Fund Balance
Non-Major Governmental Funds
For The Year Ended December 31, 2005

	Special Revenue Fund	Special Revenue Fund	Special Revenue Fund	Total Non-Major Governmental Funds
	Street Lights Fund	Cemetery Fund	Firefighters' Association	
<u>Revenues:</u>				
Taxes and Assessments	\$11,105	\$ ---	\$ ---	\$11,105
Contributions	---	---	11,574	11,574
Interest and Rents	197	350	40	587
Total Revenue	<u>11,302</u>	<u>350</u>	<u>11,614</u>	<u>23,266</u>
<u>Expenditures:</u>				
Public Safety	---	---	11,466	11,466
General Government	---	8,713	---	8,713
Public Works	13,274	---	---	13,274
Capital Outlay	---	---	1,600	1,600
Total Expenditures	<u>13,274</u>	<u>8,713</u>	<u>13,066</u>	<u>35,053</u>
<u>Excess of Revenues Over (Under Expenditures)</u>	(1,972)	(8,363)	(1,452)	(11,787)
<u>Other Financing Sources:</u>				
Transfers In	---	4,000	---	4,000
Total Other Financing Sources	<u>---</u>	<u>4,000</u>	<u>---</u>	<u>4,000</u>
<u>Net Change in Fund Balances</u>	(1,972)	(4,363)	(1,452)	(7,787)
<u>Beginning Fund Balance</u>	<u>12,132</u>	<u>15,615</u>	<u>7,272</u>	<u>35,019</u>
<u>Ending Fund Balance</u>	<u>\$10,160</u>	<u>\$11,252</u>	<u>\$ 5,820</u>	<u>\$27,232</u>

PHILIP R. RUBLEY

- Certified Public Accountant -

133 W. MAIN STREET • MORENCI, MI 49256

PHONE 517/458-2274

FAX 517/458-6353

PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'s
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

July 12, 2006

Township Board
Adrian Township
Lenawee County
2907 Tipton Hwy.
Adrian, Michigan 49221

We have examined the combined financial statements of the Adrian Township and the combining, individual fund and account group financial statements of the Township as of and for the year ended December 31, 2005 and have issued our report thereon dated July 12, 2006. As a part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Township's system of internal accounting control for the year ended December 31, 2005, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

1. FIXED ASSETS - CAPITAL

It will be necessary for the Township to establish and maintain records for acquisition and disposal of the Township's depreciation threshold of \$1500.

2. **INTERFUND DUE TO AND FROM**

The interfund accounts need to be paid and received where possible between the funds. There is presently available monies to do so, this will provide better reconciliations.

3. **ADJUSTMENTS**

Prior year approved adjustments should all be made to the general ledgers to properly reflect correct opening balances of all funds.

4. **BUDGETS**

Amended budgets appeared to be incorrect as to actual expenses to date and adjustments made. Better utilizations of the budget program will help in this area. Also you cannot budget a deficit fund balance.

5. **INTERFUND TRANSACTIONS**

Be sure to properly reflect interfund transactions in each fund. The interfund balances should agree to each other each month.

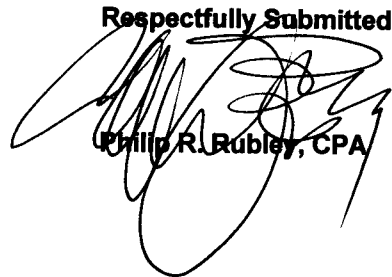
6. **BANK RECONCILIATIONS**

Proper cutoff and reconciliations between the Treasurer and Clerk should be done monthly, so the general ledger agrees. This was better near the end of the year.

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated July 12, 2006, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Respectfully Submitted,



Philip R. Rubley, CPA